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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2778

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 5168

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2912

RUEHKO/AMEMBASSY TOKYO PRIORITY 2777

RUEHIT/AMCONSUL ISTANBUL PRIORITY 3412

RHMFIS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000576

SIPDIS

SCA/CEN; EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 05/07/2019

TAGS: [PGOV](#) [EPET](#) [TX](#) [RS](#)

SUBJECT: TURKMENISTAN: DETAILS EMERGE REGARDING RUSSIAN  
GAS SHUT OFF

Classified By: Charge Richard Miles for reasons 1.4 (b) and (d).

11. (C) SUMMARY: A longtime European resident and energy sector insider, Michael Wilson (protect), told Political Officer that Russia had indeed been the party that halted the gas flow from Turkmenistan immediately after the early April pipeline explosion, and was continuing the embargo under weak legal pretenses in order to pressure Turkmenistan to renegotiate gas prices and drop legal claims against Gazprom. The Turkmen, however, are resisting Russian pressure, and appear to be advancing efforts to seek punitive damages from Gazprom. If the Turkmen Government can live without the lucrative revenues it earns from gas exports to Russia in the medium-term, it might counter Russian pressure by moving forward with negotiations to export Turkmen gas to Europe. Regardless, there is little doubt the crisis is a reminder of the perils of dependence on one key customer. END SUMMARY.

12. (C) EU-TACIS program manager Michael Wilson, who is a longtime resident of Ashgabat and rare recipient of insider information from the oil and gas sector, shared some news May 6 regarding the recent pipeline accident kerfuffle between Turkmenistan and Russia. Wilson said that his energy sector contacts told him that Gazprom had not re-initiated the flow of Turkmen gas to Russia after repairs were completed on the Central Asia Center (CAC) pipeline that was damaged in the April 8 blast. He added that Gazprom representatives who came to Ashgabat on April 9 and 10 in a long-planned effort to re-negotiate export gas prices (earlier than allowed by contract) walked away empty-handed. Working level Gazprom officials returned the week of May 4, but again achieved nothing, he said.

13. (C) He assessed that Russia had several reasons for stopping the flow of gas. First, it wanted to punish Turkmenistan for publicly stating that it would seek punitive damages if it was determined that Gazprom's actions were the cause of the accident. Second, it alleviated Gazprom's unenviable situation of having to pay global market prices

for gas that no one wanted. Wilson added that Russia had exploited some international trade convention to allow Gazprom to legally halt the flow of gas, which has infuriated the Turkmenistan Government. Meanwhile, the Turkmenistan Government is losing some \$250 million per week in revenues, he said. This certainly is having an impact on Turkmenistan's financial situation.

14. (C) He said that the Turkmenistan Government had already hosted a group of international experts who assessed the cause of the pipeline explosion and determined which party was to blame. The British consulting company, Gaffney, Cline and Associates had organized the team of experts at the request of the Turkmen. Wilson said they had determined that Gazprom's failure to provide advance notice to the Turkmen side of its intention to dramatically reduce the flow of gas it received from Turkmenistan had caused the accident.

15. (C) COMMENT: Wilson's report is compatible with other anecdotal reports post heard that Russia completely stopped the flow of Turkmen gas in early April. The reasons he outlined are logical, given what post has heard from the commercial energy community about price declines and dismal futures in the global energy market. While some in Russia may think that halting the importation of Turkmen gas for an extended period will pressure Turkmenistan to drop its legal claim and renegotiate its gas prices, the reality may be to the contrary. The halt could drive the wedge between the two parties deeper, as Turkmenistan is painfully reminded of its budgetary dependence on Gazprom and becomes more convinced

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that Western nations and companies can offer it an alternative market. There is little doubt that pipeline diversification has never looked as good to the Turkmen as it does right now. END COMMENT.  
MILES